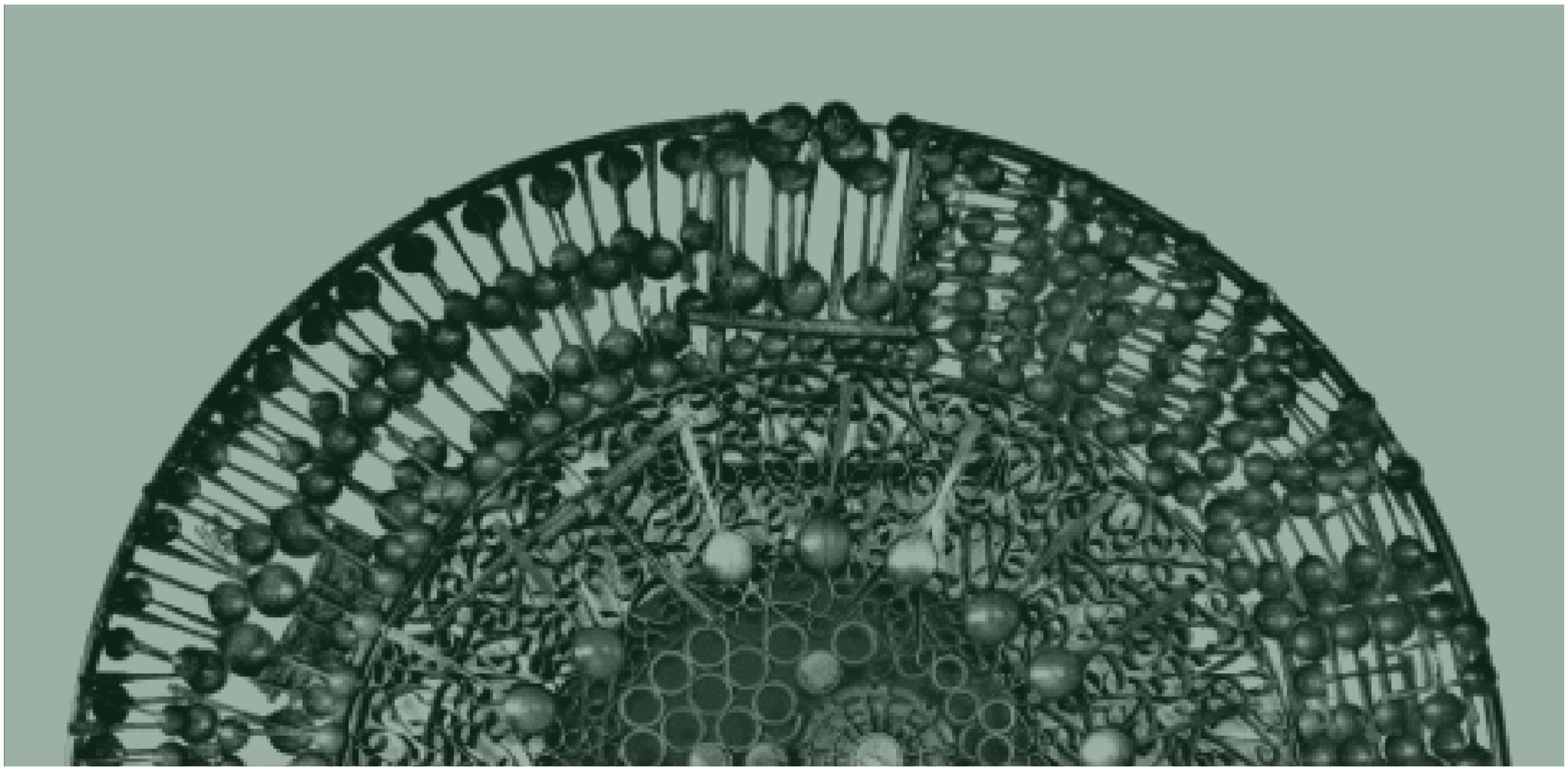
UDO UDOMA & BELO-OSAGIE

OIL & GAS | SEPTEMBER 2026
LEGAL & REGULATORY UPDATE | 10

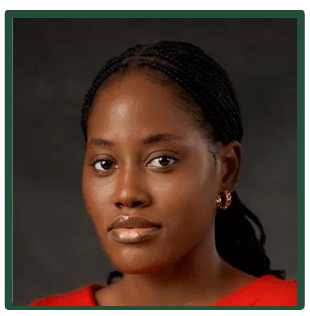
From Award to Accountability:
Drill-or-Drop and Nigerian Acreage

WHY THE NUPRC’S DRILL-OR-DROP CIRCULAR MATTERS FOR LICENCE RETENTION, REGULATORY ENGAGEMENT AND TRANSACTIONS INVOLVING AFFECTED ACREAGE




FOLAKE ELIAS-ADEBOWALE


NOBLE CHINWENDU


IFUNANYA CHINWUBA


BULIECHI MGBEOKWERE

WWW.UUBO.ORG

The Circular

On 14 September 2026, the NUPRC issued an enforcement Circular that every PPL holder must read carefully.

CIRCULAR REFERENCE	NUPRC/1127/Vol. 13/55, dated 14 September 2026
FULL TITLE	**"Notice of Enforcement of the Drill-or-Drop Provisions of the Petroleum Industry Act 2021"**
ADDRESSED TO	All holders of PPLs awarded under the 2020 Marginal Field Bid Round, the 2022/2023 Mini Bid Round, and the 2024 Licensing Round
A PPL COMPRISES	The licence · General Licence Conditions · Concession Contract · Minimum Work Programme · Work Performance Security

> **Statutory Basis:** Sections 77, 78, and 88 of the PIA 2021; default and revocation provisions of sections 96 and 97

KEY DETAILS

REFERENCE NUMBER	DATE ISSUED	INSTRUMENT
NUPRC/1127/Vol. 13/55	**14 September 2026**	**Circular (general advisory)**

THREE LICENSING ROUNDS AFFECTED

2020	**2022/2023**	**2024**

THE LEGAL EFFECT

Advisory, Not Default: The Legal Effect of the Circular

The Circular is a general advisory - not a notice of default - but enforcement consequences are live and real.

> **"The Commission's objective is 'to increase production, not forfeiture.'"**
>
> NUPRC CIRCULAR - PARAGRAPH 7

PARAGRAPH 6 - EXPRESS DISCLAIMER

Paragraph 6 expressly states: the Circular is a general advisory without prejudice and does not constitute a notice of default under the PIA.

ENFORCEMENT CONSEQUENCES ON NOTICE (PARAGRAPH 5)

01	Refusing extension of a PPL	**02**	Requiring relinquishment of acreage
03	Calling in the Work Performance Security	**04**	Commencing revocation proceedings

PRE-REVOCATION SAFEGUARD - SECTION 97(1) PIA

Before revocation can proceed, the Commission must serve a notice of default and allow a remediation period of at least 60 days.

60

DAYS

THE RESPONSE DATE

31 October 2026

Licensees experiencing constraints are encouraged to notify the Commission under paragraph 8, stating:

(a) The level of compliance with licence obligations, including execution of the approved work programme

(b) The specific constraints affecting execution

(c) Proposed mitigation measures and a revised implementation timeline

The date is not a moratorium. Engagement does not suspend the licence term or excuse performance (paragraph 9), a licence expiring before 31 October 2026 is not preserved, and licence-specific enforcement may begin earlier.

> **"A holder that does not respond may lose an opportunity to place an evidenced account of its position before the Commission."**
>
> FROM AWARD TO ACCOUNTABILITY, UUBO

PARAGRAPH 8

Asset Retention Submission

The paragraph 8 submission is voluntary, but it is the holder's main opportunity to put an evidenced account of its position before the Commission.

STRUCTURE YOUR SUBMISSION - PARAGRAPH 8 ELEMENTS

(a) **Compliance Record**
Each applicable commitment and performance to date - with supporting evidence

(b) **Constraints Identified**
Material slippage and specific constraints - operational, financial, regulatory

(c) **Mitigation Plan**
Mitigation measures, revised timeline, and identified funding source

> **Treat this as a legal document: it creates a contemporaneous record that can be relied upon if proceedings escalate.**

PARALLEL REPORTING OBLIGATIONS

Monthly and quarterly operational reports run concurrently under AMPDP Regulation 69. These obligations are independent of the paragraph 8 submission and carry their own sanctions under Regulation 76(1).

PENALTY EXPOSURE - REPORTING FAILURES

US$250,000

+ US$10,000 per day

UP TO · AMPDP REG. 76(1)

> **"The supporting evidence is likely to matter as much as the narrative."**
>
> FROM AWARD TO ACCOUNTABILITY, UUBO

PPL Retention: Duration Limits by Acreage Type

The PIA sets strict time limits for PPL retention that vary by acreage type - every licensee should know exactly where they stand.

Onshore & Shallow Water

MAXIMUM DURATION

6 yrs

PIA 2021, Section 77

STRUCTURE

Initial 3 years
+
Optional 3-year extension

MINIMUM COMMITMENT

At least one exploration well per period

Deep Offshore & Frontier Acreage

MAXIMUM DURATION

10 yrs

PIA 2021, Section 77

STRUCTURE

First 5 years
+
Second 5 years

MINIMUM COMMITMENT

At least one exploration well per period

AT A GLANCE

Onshore / Shallow Water	≤ 6 years
Deep Offshore / Frontier	≤ 10 years

> **“A holder needs to know where its acreage stands as well as when its periods expire.”**
>
> FROM AWARD TO ACCOUNTABILITY, UUBO

Statutory Framework for Retention - Post-Discovery Obligations

Discovery triggers a cascade of statutory deadlines that run independently of the drill-or-drop clock.

STEP 1 - NOTIFY

Within 180 days

Inform the Commission of Discovery

Within 180 days of a discovery, the licensee must inform the Commission whether it merits appraisal or is of no interest (section 78(3)).

PIA S.78(3)

STEP 2 - APPRAISE

Apply within 1 year; appraise within 3

Appraisal Area and Programme

Apply for an appraisal area within one year of notification (section 78(4)), with an appraisal programme of up to three years and at least one well (AMPDP Reg. 10(5)).

PIA S.78(4); AMPDP REG. 10(5)

STEP 3 - SIGNIFICANT DISCOVERY

Up to 10 years

Significant Discovery Retention

A significant discovery may be retained for up to 10 years under Section 78(9) pending commercial development decisions.

PIA S.78(9)

STEP 4 - FDP SUBMISSION

Within 2 years of commercial declaration

Field Development Plan

Within 2 years of declaring a commercial discovery, the licensee must submit a Field Development Plan under Section 79(1).

PIA S.79(1)

Voluntary Exit vs Forced Revocation

There is a meaningful difference between voluntary relinquishment and forced revocation - and the procedural steps matter enormously.

Voluntary Relinquishment	Notice of Default	Remediation Period	Revocation Proceedings
60 days' notice + Commission approval	Commission serves formal notice	Minimum 60 days to cure default	If default unremedied - ss. 96 & 97 PIA

VOLUNTARY RELINQUISHMENT

Requires 60 days' prior notice and Commission approval

Often the preferred exit where delivery is no longer viable - but rent and environmental obligations must be settled first, and accrued liabilities survive (s.88(8))

REVOCATION PATHWAY - SECTIONS 96 & 97 PIA 2021

1. Commission serves a notice of default
2. Licensee given a remediation period of at least 60 days
3. If unremedied - revocation proceedings commence

ADDITIONAL PROVISIONS

Section 99: Permits revocation of a defaulting co-holder's interest only - but the whole licence may be revoked if the others do not assume its obligations (s.99(6))

Force majeure relief: Assessed under sections 72(3) and (4) PIA; three-year aggregate limit applies

STRATEGIC IMPLICATION

Voluntary relinquishment preserves goodwill and regulatory record. Revocation carries significant reputational and financial consequences - the procedural distinction is not merely technical.

SECURITY CALL EXPOSURE

Bond Forfeiture: A Distinct and Immediate Risk

Failure to implement an approved appraisal programme does not just risk revocation - it results in forfeiture of the appraisal bond.

01 **Regulation 12(5), AMPDP Regulations:** failure to implement an approved appraisal programme results in forfeiture of the bond and relinquishment of the appraisal area.

02 The Work Performance Security is a distinct financial exposure - separate from and independent of revocation risk under the PIA.

03 Licensees should audit the current status of every approved programme against the applicable bond conditions without delay.

04 Any request to draw down, restructure, or extend the security instrument must be reviewed against the Circular's enforcement posture before submission.

BOND FORFEITURE TRIGGER

Non-Implementation of the Appraisal Programme

Forfeiture under Regulation 12(5) follows from non-implementation itself and does not depend on the section 97 revocation process. Separately, the Commission may call in the Work Performance Security under its terms (paragraph 5).

AMPDP REGULATIONS, REGULATION 12(5)

EXPOSURE TYPE

Bond Forfeiture - Regulation 12(5)

Audit every approved programme now - verify compliance status before the 31 October 2026 deadline.

Transactions and Financing - Diligence Framework

Six structured workstreams for any transaction or financing involving PPL acreage affected by the Circular.

> **Work-programme compliance must be treated as a standalone diligence workstream in any transaction involving affected acreage.**

TIPREJ DILIGENCE WORKSTREAMS

T	**Title** Confirm licence validity and absence of revocation proceedings
I	**Instruments** Review Concession Contract, General Licence Conditions, and Work Performance Security terms
P	**Performance** Assess compliance with the Minimum Work Programme to date
R	**Regulatory Record** Review all submissions to the Commission, including any paragraph 8 submissions
E	**Exposure** Quantify bond forfeiture risk, penalty exposure, and revocation scenarios
J	**Joint Arrangements** Review co-holder obligations and section 99 partial revocation risk

Transactions and Financing - Contractual Protections

Transactional documents must be drafted to allocate drill-or-drop risk precisely - standard R&W packages may not be sufficient.

REPRESENTATIONS & WARRANTIES

- R&W should expressly address all regulatory submissions made, including any paragraph 8 submission
- Absence of any notice of default or revocation proceedings must be warranted
- Current status of work commitment compliance must be positively warranted

> **Standard R&W packages may omit drill-or-drop compliance - bespoke representations are essential for PPL transactions**

CONDITIONS PRECEDENT & ADDITIONAL RISKS

- **Conditions precedent:** distinguish clearly between (i) regulatory acknowledgement of a transfer and (ii) substantive Commission approval of the transaction
- **Section 99 risk:** a defaulting co-holder's interest may be partially revoked - buyers must assess co-holder compliance, not just the seller's position
- **Financing:** lenders should require work-programme compliance certificates as a condition of drawdown

Co-holder exposure under s.99 means due diligence must extend beyond the seller's own compliance record

> **"An indemnity cannot, by itself, preserve acreage or extend the time for performance."**
>
> FROM AWARD TO ACCOUNTABILITY, UUBO

Board Considerations: Four Strategic Options

Boards of affected licensees face a structured decision - retain and progress, partner, restructure, or exit - and each path has a different regulatory and financial profile.

OPTION 1

Retain and Progress

Commit internal capital and resources to meet the Minimum Work Programme. Make a paragraph 8 submission to the Commission before 31 October 2026.

Regulatory profile: highest commitment - demonstrates good faith to NUPRC

OPTION 2

Bring in a Partner

Farm-out or joint venture to share work commitment obligations. Note section 99 co-holder exposure - a defaulting partner's interest may be revoked alone, but the whole licence is at risk if the others do not step in (s.99(6)).

Key diligence: co-holder compliance under section 99 PIA 2021

OPTION 3

Restructure Funding

Engage lenders or investors to finance programme execution. Align drawdown conditions with regulatory milestones. Lenders should require work-programme compliance certificates as a condition of drawdown.

Financial profile: preserves equity - requires bankable regulatory record

OPTION 4

Dispose of the Interest

Voluntary relinquishment (60 days' notice + Commission approval) or sale/assignment subject to Ministerial consent on the Commission's recommendation (s.95(1)). Voluntary relinquishment does not discharge accrued liabilities.

Voluntary exit preserves goodwill; forced revocation carries reputational and financial consequences

Under every option, holders facing constraints should make a paragraph 8 submission before 31 October 2026

CONCLUSION

> **The Commission's objective is 'to increase production, not forfeiture.'**

The Circular is a signal - not yet a sanction - but the window to act on that signal closes on 31 October 2026.

THREE IMMEDIATE PRIORITIES FOR EVERY AFFECTED PPL HOLDER

1. Audit compliance with each element of the Minimum Work Programme
2. Quantify exposure - bond forfeiture, penalty liability, and revocation scenarios
3. Prepare and make a paragraph 8 submission before 31 October 2026

> The Circular also resets the diligence standard for any transaction touching affected acreage - buyers, sellers, and lenders should adjust their frameworks accordingly.

KEY REFERENCES

Key Statutory and Regulatory References

Every action item in this update traces to a specific statutory or regulatory provision - practitioners should work from the primary text.

PROVISION	SUBJECT MATTER
PIA 2021, Section 72(3) & (4)	Force majeure relief; three-year aggregate limit
PIA 2021, Section 77	PPL duration: onshore/shallow water (≤6 yrs); deep offshore/frontier (≤10 yrs)
PIA 2021, Section 78(3)	Notice whether a discovery merits appraisal: 180 days
PIA 2021, Section 78(4)	Appraisal area application: within 1 year of notification
PIA 2021, Section 78(9)	Significant discovery retention: up to 10 years
PIA 2021, Section 79(1)	Field Development Plan: within 2 years of commercial discovery
PIA 2021, Sections 88, 96, 97	Drill-or-drop obligations; default; revocation
PIA 2021, Section 99	Revocation of a defaulting co-holder's interest; whole-licence risk under s.99(6)
AMPDPRegulations, Regulation 12(5)	Bond forfeiture on appraisal programme failure
AMPDPRegulations, Regulation 69	Monthly and quarterly operational reporting
PIA 2021, Section 95(1) & (5)	Consent to transfers and to the creation of security
AMPDPRegulations, Regulation 10(5)	Appraisal programme: up to 3 years, at least one well
AMPDPRegulations, Regulation 76(1)	Penalty up to US$250,000 + US$10,000 per day of continuing breach
NUPRC Circular NUPRC/1127/Vol. 13/55	14 September 2026 - Drill-or-Drop Enforcement Notice

FOR FURTHER GUIDANCE ON THE CIRCULAR

Contact Us

Folake Elias-Adebowale

PARTNER, M&A, OIL & GAS, AND PRIVATE EQUITY & VENTURE CAPITAL

Noble Chinwendu

OIL & GAS, DATA PROTECTION, PRIVATE WEALTH, AND PRO BONO

Ifunanya Chinwuba

OIL & GAS, FINTECH, AND M&A

Buliechi Mgbeokwere

M&A, OIL & GAS, AND PRIVATE EQUITY & VENTURE CAPITAL

uubo@uubo.org ogteam@uubo.org www.uubo.org

UDO UDOMA &
BELO-OSAGIE